

# *Great A&P Tea Company*

*Cigarette Test Merchandising Proposal*

*R. J. Reynolds Tobacco Company*

*March 1996*

# *Cigarette Test Proposal*

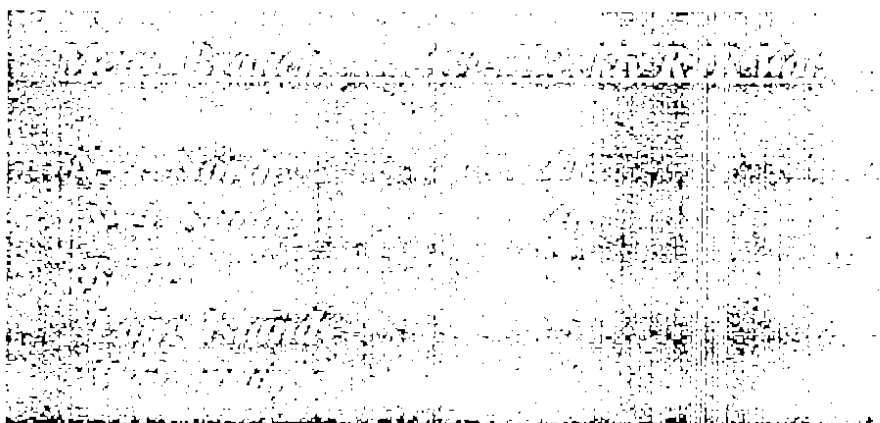
## *Background Data*

- ★ *A&P has used Philip Morris Merchandisers, and their Merchandising Program for the past three years.*
- ★ *A&P's Cigarette Category volume has shown a steady downward trend during that period.*
- ★ *A majority of carton merchandisers on "self-service" have been locked making customer purchase difficult.*
- ★ *In many locations single packs are sold from the store office and merchandised from a Philip Morris "overhead" merchandiser.*
- ★ *Price communication is poor in most locations.*

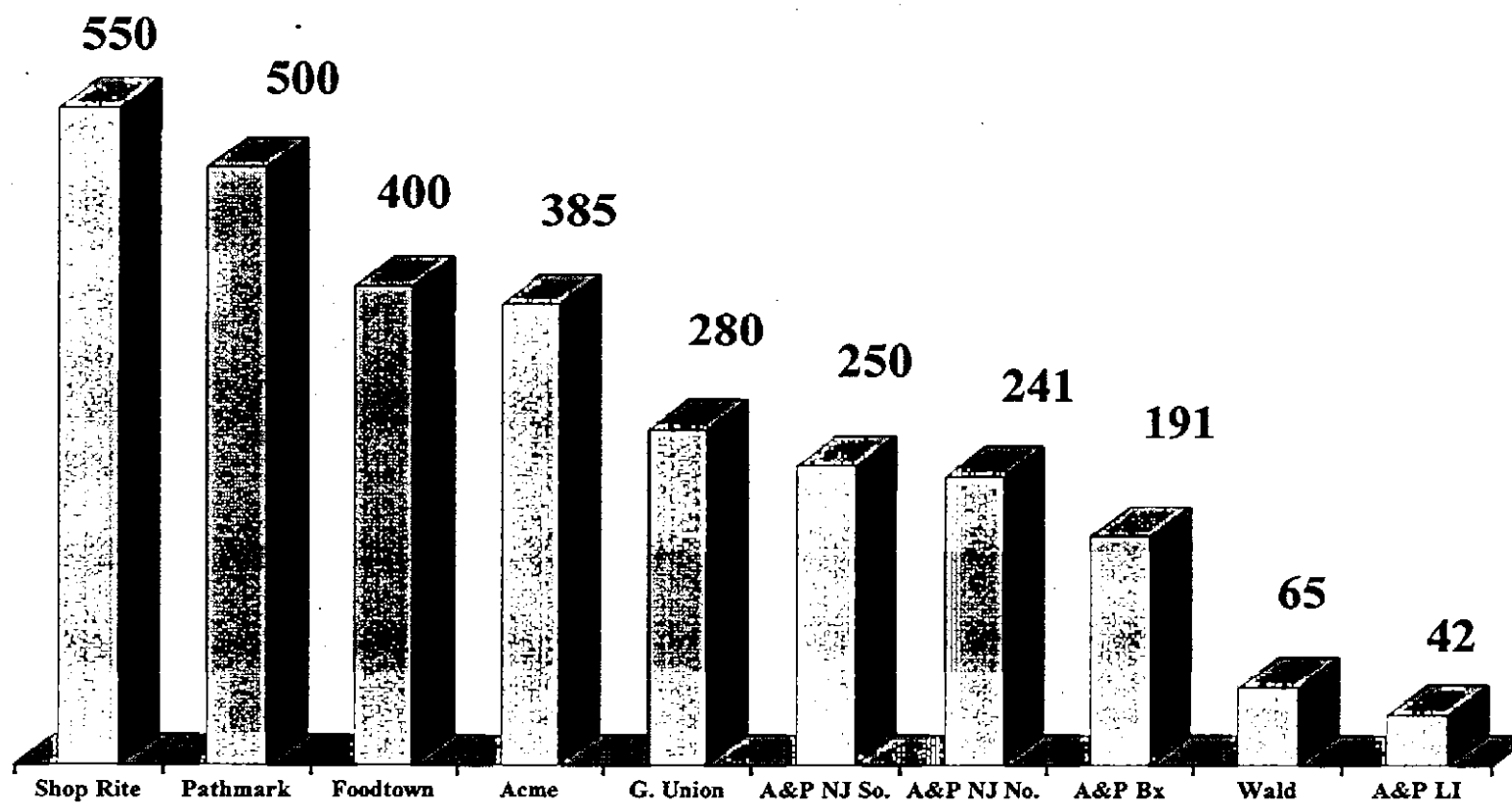
## *Cigarette Test Proposal*

### *Background Information cont'd*

- ★ *As cigarette volume decreases in A&P Stores, retail display allowances decrease:*
  - *Philip Morris, RJR and BAT base contract payments on weekly volume of their brands.*
  - *RJR's minimum volume requirement is 70 cartons per week.*

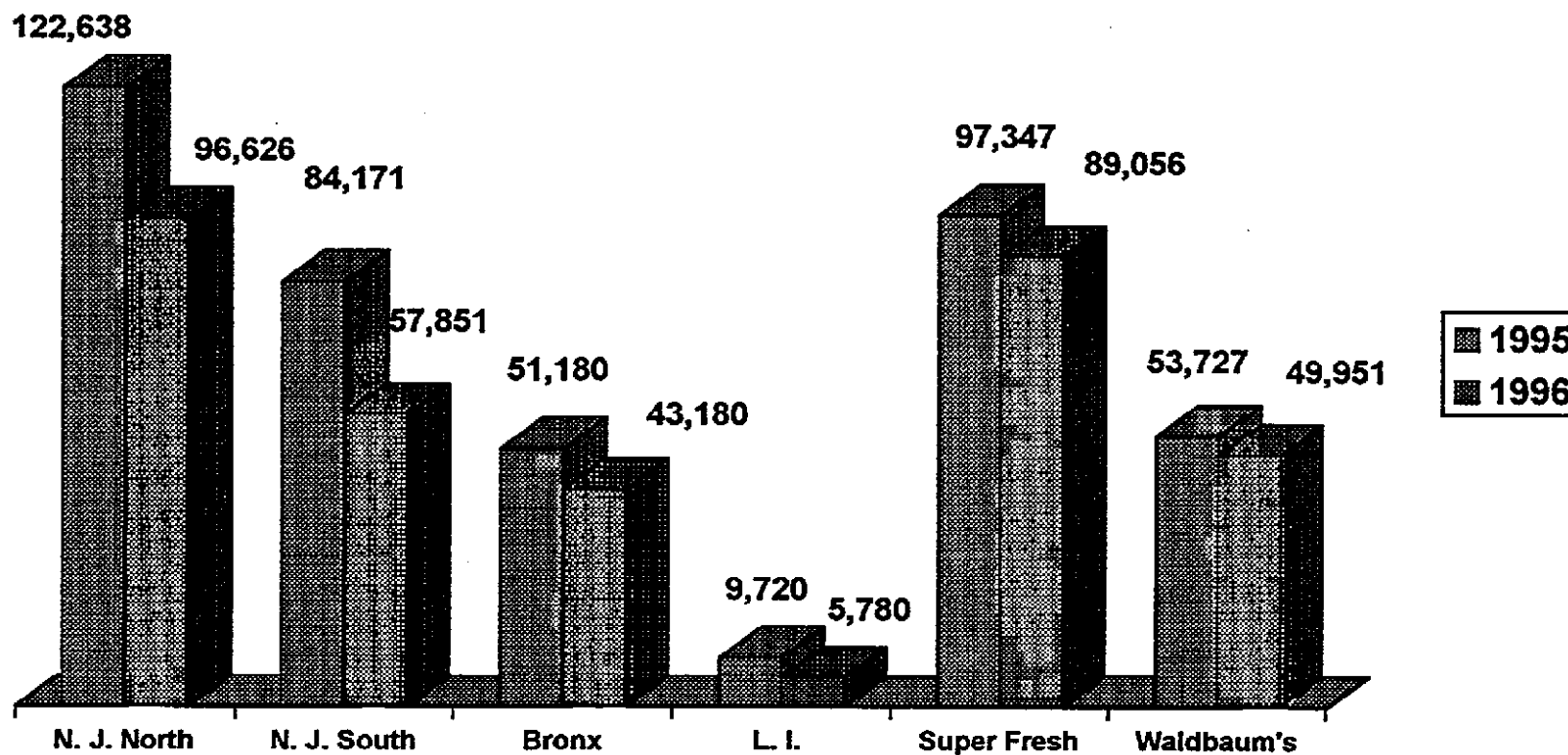


*Average Weekly Carton Volume  
Supermarket Segment  
Metro Trading Area*



*Source: RJR AIM Data- 4th Quarter 1995*

# A&P New York Metro Cigarette Category Volume 1996 YTD (Vs. 1995)



% Change Vs. 1995	- 21.2%	- 31.3%	- 15.6%	- 22.0%	- 8.5%	- 7.0%
-------------------	---------	---------	---------	---------	--------	--------

\* Source RJR Account Information Management System- Data through February 1996

*How does the consumer view the Cigarette Category in  
A&P's new store setups?*

<u>Acessability</u>	<u>Cartons</u>	<u>Single Packs</u>
Is my favorite brand available for quick purchase?	Merchandiser locked? Clerk must open.	Philip Morris brands on entire front and beltline side. All other brands down non beltline side.
<u>Availability</u>		
Where is my favorite Brand?	2x3x2 Carton Setup - 175 rows 205 Brand Styles in order book. Philip Morris with 60% facings.	All I can see are Marlboros, Merits, Virginia Slims and B&H.

*How does the consumer view the Cigarette Category in  
A&P's new store setups?*

<u>Reason to Purchase</u>	<u>Cartons</u>	<u>Single Packs</u>
Doesn't this store have any of those deals I see in Shop Rite or Acme?	No coupons on cartons.	No premium offers or coupons on packs. Marlboro in top trays.

Question

Philip Morris has 55% of A&P's Cigarette Business. What is A&P doing to address the other 45% of consumers who are potential cigarette purchasers!

# *Cigarette Test Proposal*

## *Test Objectives*

- ★ *Placement of new cigarette merchandising concepts in new A&P Locations.*
- ★ *Availability of R. J. Reynolds pack and carton promotions (previously unavailable) to build business.*
- ★ *Measurement of data to determine results*
  - *Use of RJR “Account Information Management” Data*



## *What should be done?*

- ★ *Make cigarettes (cartons and packs) accessible.*
- ★ *Communicate price to A&P's Customers.*
- ★ *Make available industry promotions from all companies to A&P's customers.*

*Maximize Sales*

*Satisfy A&P Customers*

*Minimize Shrink*

*Maximize Retail Display Allowances*

## *Cigarette Test Proposal Option I*

### *Non Self-Service Cartons/Self-Service Packs*

#### *★ Non-Self RJR Carton Setup in customer service center.*

- Adequate space for all companies (space to share of business).*
- Minimum rows for contract qualification.*
- Solid, lockable security doors available for “night lockup”.*
- Digital lighted price communication for all price points.*

#### *★ Self-Service Package/Promotional Merchandisers*

- Merchandisers from both RJR and Philip Morris*
- RJR Merchandisers available with “flip shelf” lockable security feature for “night lockup”.*
- Clear pack price communication on all merchandisers.*

## *Cigarette Test Proposal Option II*

### *Non Self-Service Cartons/Self-Service Counter Pack Displays*

- ★ *Non Self-Service Carton setup similar to Option I.*
- ★ *Self-Service Pack Displays on customer service counter  
from RJR and Philip Morris*

## *Cigarette Test Proposal Option III*

### *Non Self-Service Cartons/Non Self-Service Packs*

★ *Non Self-Service Carton setup similar to Options I & II*

★ *Non Self-Service pack setup using RJR Springfed Package Merchandiser.*

- *All full facings of single packs visible to consumer.*
- *Area available for RJR multi pack promotions.*
- *Clear price communication signage.*
- *Solid security door availability for “night lockup”*

***Cigarette Test Proposal***  
***Estimated Retail Display Allowances***  
***(monthly)***

<i>Company</i>	<i>Option I</i>	<i>Option II</i>	<i>Option III</i>
<i>RJR</i>	<i>\$ 300.00</i>	<i>\$ 250.00</i>	<i>\$ 200.00</i>
<i>Philip Morris*</i>	<i>\$ 148.00</i>	<i>\$ 148.00</i>	<i>\$ 105.00</i>
<i>Lorillard</i>	<i>\$ 42.50</i>	<i>\$ 42.50</i>	<i>\$ 42.50</i>
<i>BAT</i>	<i>\$ 30.00</i>	<i>\$ 30.00</i>	<i>\$ 30.00</i>
<i>Monthly Total</i>	<i>\$ 520.50</i>	<i>\$ 470.50</i>	<i>\$ 377.50</i>

*\*Philip Morris estimated monthly payments based on Retail Masters Level I contract. Options I and II NSS Carton Contract. Option III NSS Pack Contract.*